|  |
| --- |
| **EP2250 Small Business Development** |
| **Unit 2 – Small Business Decision** |
| **Unit Introduction**  Contrary to what many aspiring entrepreneurs believe, the key to a successful startup does not rest upon having a unique, one-of-a-kind idea. Ideas are not scarce: by themselves they're simply commodities. Successful entrepreneurs may not have the most original ideas, but they do possess a critical attribute: their ability to execute an idea and turn it into a profitable business.  So what distinguishes an attractive opportunity from a mere idea? First, opportunities are driven by customer need. The entrepreneur has identified a set of customers who can be served profitably. The economics of the business are favorable, and it has the ability to generate significant cash flows in a relatively short period of time. Second, the opportunity is closely aligned with the entrepreneur's personal interests and skill set. Third, the entrepreneur is able to leverage proprietary knowledge or relationships to gain a competitive advantage over rivals. Finally, the timing of the opportunity has to be right. |
| **Self-Awareness Exercise – Personal Business Profile**  Entrepreneurs commit a good deal of effort, time and resources to getting a business up and running. For that reason, it is important that the business they are starting be consistent with their business and personal interests and experiences. They must also have an awareness of their personal strengths and weaknesses.  Complete this personal profile before you go any further. It is a starting point, designed to assist you in compiling the personal data that you will need to ensure that the business opportunity you are considering matches to as large an extent as possible your personal business profile. Be honest with yourself and once you have the exercise completed, consider the strength of the match between your business idea and your personal attributes.  *Learners should consider the statements carefully. Four or more responses should be provided for each item.*  Things I think I’m good at…..  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Things I enjoy doing……  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Things I’m interested in……  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Things I’ve accomplished…  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  I wish I were better at….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  People think my good points are….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  I dislike doing…..  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  I’m bored by…..  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  My hobbies are….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  I’ve worked full or part time at the following jobs….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  I’ve made money in the past by….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Things I’d like to get out of life are….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Things I’m willing to sacrifice are….  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **Unit Objectives – Skill Concepts**   1. Identify and use techniques for creating and screening business ideas 2. List criteria for assessing business opportunities 3. Assess and identify viable business opportunities 4. Conduct an entrepreneurial self-assessment 5. Compare and contrast big business and small business   **Unit Printed Resource**  Chapter 1 - Skinner, J. (2010). *Business plan, business reality: Starting and managing your own business in Canada* ( 3rd ed.). Don Mills: [Pearson Education Canada](http://isbndb.com/d/publisher/pearson_education_canada.html). ISBN 978-0-13-509333-7  Chapter 1, 2 & 3 Balderson, Wesley. [*Entrepreneuership and Small Business Management* 7th Canadian Edition](http://www.entrepreneurship.org/en/Resource-Center/Types/Audio.aspx?start=10&num=10). (7th ed) McGraw Hill Ryerson, **ISBN:** 0070963304 |
| **Unit Web Resources**  How to Tell a Business Opportunity From an Idea? <http://www.squidoo.com/biz_ideas> |
| **Unit Video Resource**  [Honest Advice on Starting a Company (Entire Talk) - Mark Suster (Serial Entrepreneur)](http://www.entrepreneurship.org/en/e360tv/honest-advice-on-starting-a-company-entire-talk--mark-suster-serial-entrepreneur-437.aspx) Entrepreneurship is an emotional and economic roller coaster, says venture capitalist and serial entrepreneur Mark Suster. In this candid and informative lecture, Suster defies some of Silicon Valley's conventional wisdom. Based on his extensive experience with multiple companies, Suster shares his thoughts on the real day-to-day life of startups, smart ways to raise the right kind of funds, and offers honest advice in making your way as an entrepreneur. |
| **Resource 1 Overview** Business Opportunity Analysis http://i1.squidoocdn.com/resize/squidoo_images/250/draft_lens1336729module2046845photo_evaluate4.jpgOK. You've brainstormed half a dozen ideas for a new business and narrowed it down to a couple that seem promising. How do you know if either of these opportunities is worth pursuing?  A complete opportunity analysis is beyond the scope of this discussion, but you can start by asking yourself these questions:   1. [Do I have the skills necessary to succeed with this opportunity?](http://www.squidoo.com/biz_ideas/#module2046929) 2. [Am I passionate about this?](http://www.squidoo.com/biz_ideas/#module2046930) 3. [Can I meet my financial goals?](http://www.squidoo.com/biz_ideas/#module2046931) 4. [Am I creating value for customers?](http://www.squidoo.com/biz_ideas/#module2046932) 5. [Can I harvest this opportunity at some point in the future?](http://www.squidoo.com/biz_ideas/#module2046933)  Skills http://i1.squidoocdn.com/resize/squidoo_images/250/draft_lens1336729module2046929photo_skills2.jpgAs mentioned earlier, the ability to execute is far more important than the idea itself. To do this, you must begin by identifying the handful of factors that will be critical to the success of the business. You then need to see if your own skill set is compatible with these requirements and, if your talents are lacking, decide if you can get the necessary training in a reasonable period of time.  It's also vital to build a team that complements your skills and makes up for any deficits. Successful entrepreneurs are able to evaluate their own strengths and weaknesses objectively in relation to the opportunity. They have the discipline to pass on opportunities that do not play to their strengths and do not hesitate to partner with others or hire the right talent. Passion http://i3.squidoocdn.com/resize/squidoo_images/250/draft_lens1336729module2046930photo_passion.jpgOne of the great benefits of starting your own business is the ability to set the agenda, so why not do something that will make a real difference in the world and that is meaningful to you and inspiring to your customers and employees? Your chances of success will be infinitely greater if you can marshal all of your enthusiasm and creativity in the service of your new venture. Financial Goals http://i2.squidoocdn.com/resize/squidoo_images/250/draft_lens1336729module2046931photo_retirement2.jpgDespite the above, "do what you love" is not always the best advice. Don't forget to consider your financial needs, both short- and long-term, when evaluating an opportunity. In the short term, you will need adequate financial reserves to provide for your living expenses as well as the capital needs of your new business until it reaches cash flow breakeven. Obviously, you will be better off if the opportunity's capital requirements are modest, breakeven can be achieved quickly, and you have alternative sources of income (spouse, investments, etc.) to provide for your personal financial needs.  You must also ensure that the opportunity has the potential to fulfill your long-term financial objectives, whatever those may be. An opportunity that, for example, is a good fit for your skills and interests may still be a bad option to pursue if the expected returns are too meager to allow you to save for retirement or fund your child's education.  McGrath and MacMillan in [The Entrepreneurial Mindset](http://www.amazon.com/dp/0875848346/?tag=bradsamazonsi-20) counsel aspiring entrepreneurs to stick with opportunities that have the potential to at least double their current income within 2-3 years of launching the business. Framing the challenge in terms of opportunity cost forces entrepreneurs to stop wasting time on obvious, but marginal, opportunities and dig deeper into their creativity. "Setting forth a clear and unambiguous standard for what the business must deliver galvanizes their effort, gives them a force for focus, and helps them get on with it." Customers http://i1.squidoocdn.com/resize/squidoo_images/250/draft_lens1336729module2046932photo_customers2.jpgCustomers lie at the heart of every good business opportunity. No matter how cool your idea might sound on paper, unless you can satisfy a genuine need in the marketplace for which customers are willing to pay, you risk being a "market of one."  It's critical that you get customer validation before launching your business. This may involve offering a sample of your product or constructing a demonstration prototype. Creative salesmanship is key here. If you can't get an actual sale at this stage, try at least to get an indication of interest (in writing, if possible).  If your prospective customers don't offer positive feedback at this stage, then you have a strong indication that the business model needs substantial revision or should be abandoned altogether. Thankfully, you will have spent only a small a fraction of the capital that would have been required to launch the business had you skipped this step. You should never follow the "build it and they will come" mentality unless the cost of failure is exceedingly low Harvest http://i3.squidoocdn.com/resize/squidoo_images/250/draft_lens1336729module2046933photo_harvest.jpgMost entrepreneurs become too excited about starting a new business to give any thought to selling it one day. Unfortunately, certain businesses—especially those whose success relies heavily on the founder's own labor, personality, or connections—may prove impossible to sell on economically attractive terms. You will have to rely on your own hustle in those first few months, but one of your primary tasks after launching your new venture is to put systems in place to grow your business and allow it to function in your absence. A business model that lacks the capacity to scale beyond the founder's own efforts is likely to be a marginal opportunity. |
|  |

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
| Resource 2 Overview |
| Resource 3 Overview |
| Concept Quiz |
| Unit Checklist |
| Modeling Exercise |
| Summary Exercise Checklist |
| Application Questions |
| Reinforcement Exercise  Quantitative Approach to  OPPORTUNITY SCREENING  Instructions  This screening exercise is designed to assist in the preliminary assessment of alternative ideas. It is not intended to be a substitute for good judgment.  Sheet #1 provides a list of tasks that should be considered when evaluating your ability to complete a business plan for a project. Your interests, experience and education will help to determine which opportunities are best-suited to the team. Essentially, this exercise involves determining areas of personal/team strengths and weaknesses relevant to the preparation of a business plan for each opportunity.  You should begin by reviewing the tasks on sheet 1. Then, for each task, assign a weighting of 3, 4 or 5, depending on the degree of confidence you have in your team’s ability to deal with that particular aspect of the business plan. A weighting of 3 indicates a high degree of confidence; a 5 would indicate low confidence.  The next step involves rating each project against each task dimension. Again, you should use ratings of 3, 4 or 5 when rating the individual projects, but it is important to note that the rating you assign a particular project should not exceed the initial weighting you assigned the overall task. In other words, the task weight (established in the above paragraph) serves as a maximum score for the individual project ratings.  Sheet #2 emphasizes the evaluation of the business opportunity itself. On this sheet you should assign each project a score of 1 to 4, with a 1 representing highest potential, and a 4 indicating lowest potential.  The final step is to add the ratings for each project separately on each sheet, and then combine the scores from both sheets to obtain an overall assessment score. |
| Action Plan |